



BUSINESS

Excellence

Introduction



Tourism is big business in Victoria. The industry employs around 214,500 people, with visitor expenditure worth an estimated \$26.8 billion for the year ending March 2018.

The Victorian Government recognises that the visitor economy is a future jobs solution, and has invested strategically in the industry to help Visit Victoria market the state's inspiring experiences.

It's also very competitive. When you're running a tourism business, you're not only competing with other businesses, towns, regions, states and countries, but with other demands for the consumers' discretionary dollar.

To build and grow a thriving business, you'll need business management, marketing and technical skills, along with customer service expertise and an understanding of consumer psychology.

And in the ever-evolving marketplace, you'll need to stay up-to-date with consumer trends and your own skills development to maintain your competitive edge.

It doesn't have to be daunting. In this guide, we'll lead you through what you need to think about to start up and grow a successful tourism business, and how to plan for your exit when the time is right.

Starting Up

If you're thinking about entering the tourism industry, try to tap into as many available resources as you can.

Professional advice can be invaluable: from legal and accounting experts to industry specialists, other tourism operators and regional/local tourism staff.

The first steps you need to take to start up your business will depend on the type of business it is.

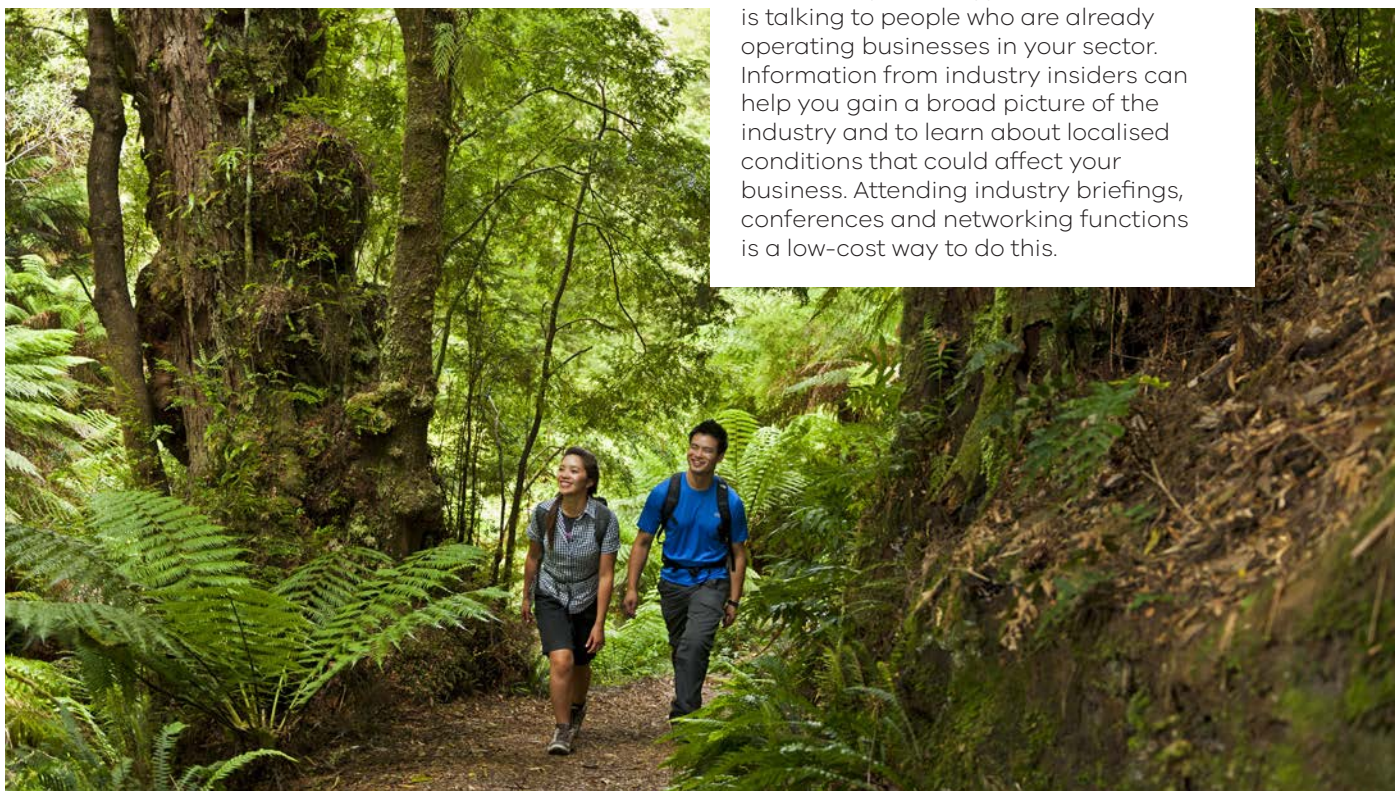
A great place to start is [Business Victoria](#), which offers a range of resources for small business operators, including [workshops](#) and a free online [guide to starting a business](#).

Marketplace and industry research

Before you start or buy your business, it's a good idea to do as much research as possible. Research will help you make sure your product is viable, and matches the needs and expectations of your target market.

Finding out about your target market is the best way to make sure you're offering your market something they actually want, rather than what you think they want. To help you get to know your target market/s, there is a wealth of industry research material available, most of which is free or low cost. For handy tips and resources, see [Understanding Visitor Needs](#).

Another important type of research is talking to people who are already operating businesses in your sector. Information from industry insiders can help you gain a broad picture of the industry and to learn about localised conditions that could affect your business. Attending industry briefings, conferences and networking functions is a low-cost way to do this.



Buying an existing business or starting a new one

You probably already have a pretty good idea about the kind of tourism product you want to develop. This might involve buying an existing business, establishing a new one or purchasing a franchise.

Choosing between an existing business, a new one and a franchise can be influenced by a number of factors, including:

- the availability of a suitable business
- your finances
- your aspirations
- your business skills and experience.

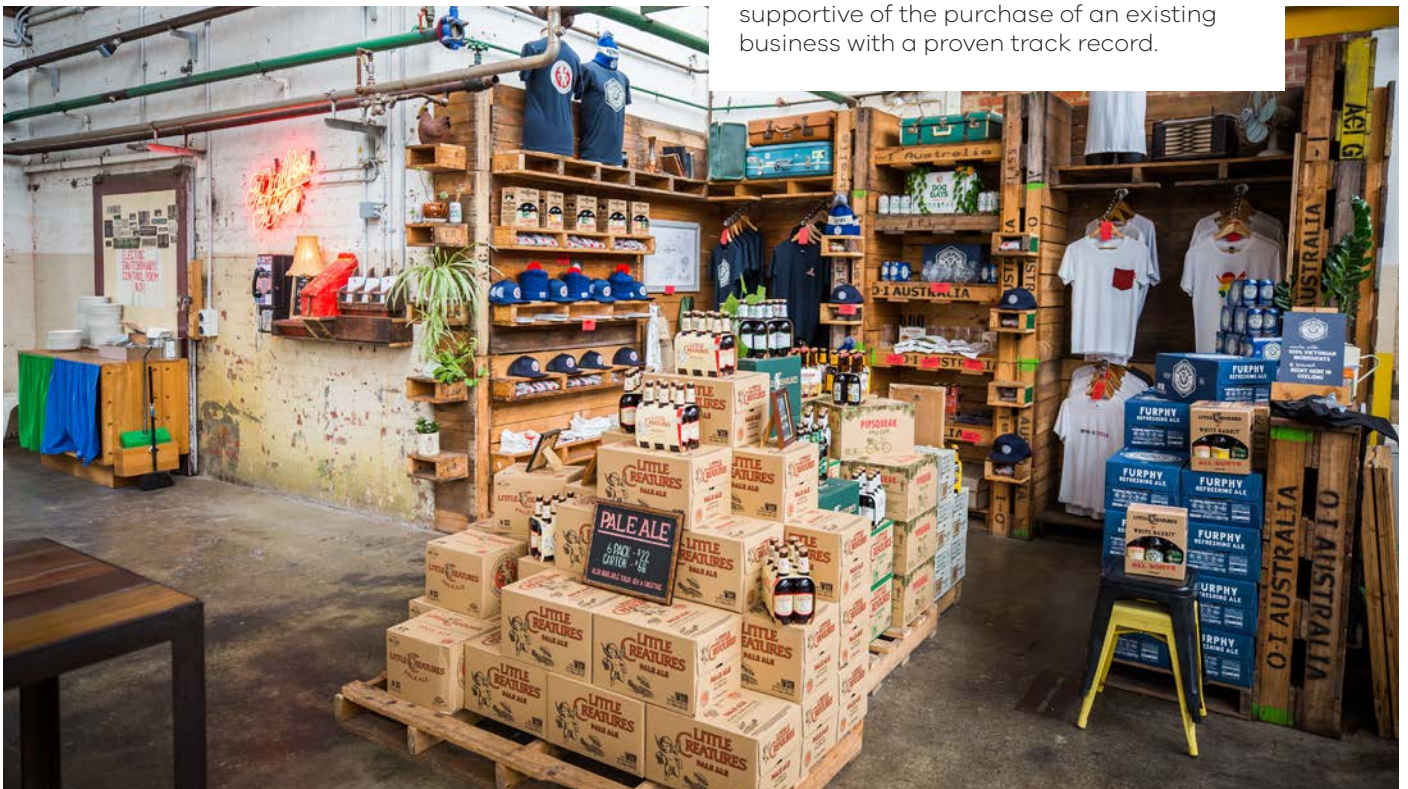
Whichever you choose, you'll need to think about the value of the business (what to pay) and its location.

Existing business

If you are starting from scratch in the industry – particularly if you don't have a business background – you may want to consider buying an existing business with existing clientele, significant goodwill, and with a management and marketing system in place.

It is often possible to negotiate a transition period as a condition of sale, whereby the previous owner/manager shows you the ropes, introduces you to important customers and suppliers, and generally ensures a smooth changeover.

Financial institutions are often more supportive of the purchase of an existing business with a proven track record.



Whether you're buying an existing business or establishing a new one, remember the real estate adage 'location, location, location'.

Unique features that can influence the asking price:

Quality

Exclusivity

Reputation

Location

New business

Establishing a new business can be riskier than buying an existing one, but there are plenty of benefits. It's a chance to realise your dream, in exactly – budget permitting – the way you envisage it.

It can take longer to make the business viable and profitable, and having some business and tourism industry experience is helpful, but there are lots of resources available to give you a helping hand.

For a comprehensive overview of the things to consider when establishing a new business, see Business Victoria's guide [How to start a business](#).

Buying a franchise

Franchising is becoming more commonplace in the dining and accommodation sectors of the tourism industry.

A franchise can be a significantly less risky way of buying a business that is immediately ready to trade, particularly if you have limited business experience.

However, buying a franchise does not guarantee business. If you do purchase a franchise, you will need to develop local marketing strategies and campaigns to be successful.

The [Franchising Council of Australia](#) website is a useful resource for potential franchisees, with general information about franchising and specific advice about buying a franchise.

How much to pay

You can determine the market value of a business by collecting data on similar businesses in the area.

The actual value of a business is usually determined through a combination of:

1. the value of the assets: book value and/or replacement value, and
2. the earnings potential – over the past five years.

The purchase of certain types of tourism and hospitality businesses can often be organised through specialist brokers.

Location

Whether you're buying an existing business or establishing a new one, remember the real estate adage 'location, location, location'.

As you would expect, some of the most successful tourism businesses are located in established tourism destinations or on established travel routes.

It takes a business with very special appeal to attract visitors off the beaten track.

Planning your business

Planning is an important part of starting up any business, be it a guesthouse in the wilderness or a walking tour of city laneways.

Thorough planning can make a huge difference to how long it takes to make your business profitable, how successful your business becomes and how much you enjoy the journey.

Knowing where to start can be overwhelming. Start with asking yourself the questions below. These should help to clarify your ideas, and set you on the right track for starting your business plan.



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Ask yourself:

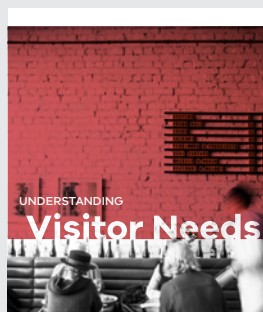
- What is my objective in starting this business?
- Who are the primary targets for the product or service? (Be as specific as possible)
- Is there a demand for the product – how do I know this?
- Is the market segment large enough and accessible enough to make the business viable?
- Will my product offering be diverse enough to withstand seasonal troughs and possible economic downturn?
- What is the level of competition in the region for the product; who else provides; how good are they?
- What will make the business stand out from the rest (i.e. what is its Unique Selling Proposition)?
- Are there other products in my area that I can work with to improve my offering?
- What investment and working capital will be required to start the business and how will this be sourced?
- How will I support myself until the business becomes profitable (typically three to five years)?
- How can I get my promotional message to the target market/s in a cost-effective way?
- Could the money I need to start and operate the business provide a better Return-on-Investment if I invested it elsewhere?

When you're ready to start writing your business plan, we recommend using one of these templates:

- [Small Business Mentoring Service \(SBMS\): Basic business plan \(free\)](#)
- [Business Victoria: Business plan template guide \(free\)](#)

Want to learn more? Consider the [Australian Tourism Accreditation Program \(ATAP\)](#). It's a useful, low-cost, self-completion program that takes a structured approach to business and marketing planning.

If you're unsure about some of your answers, our other [Tourism Excellence guides](#) might help.



Understanding Visitor Needs

- researching the marketplace
- choosing market segments
- meeting customers' expectations

Marketing Excellence

- marketing plans
- product development and positioning
- market research and targeting
- pricing
- marketing communications

The skills your business needs

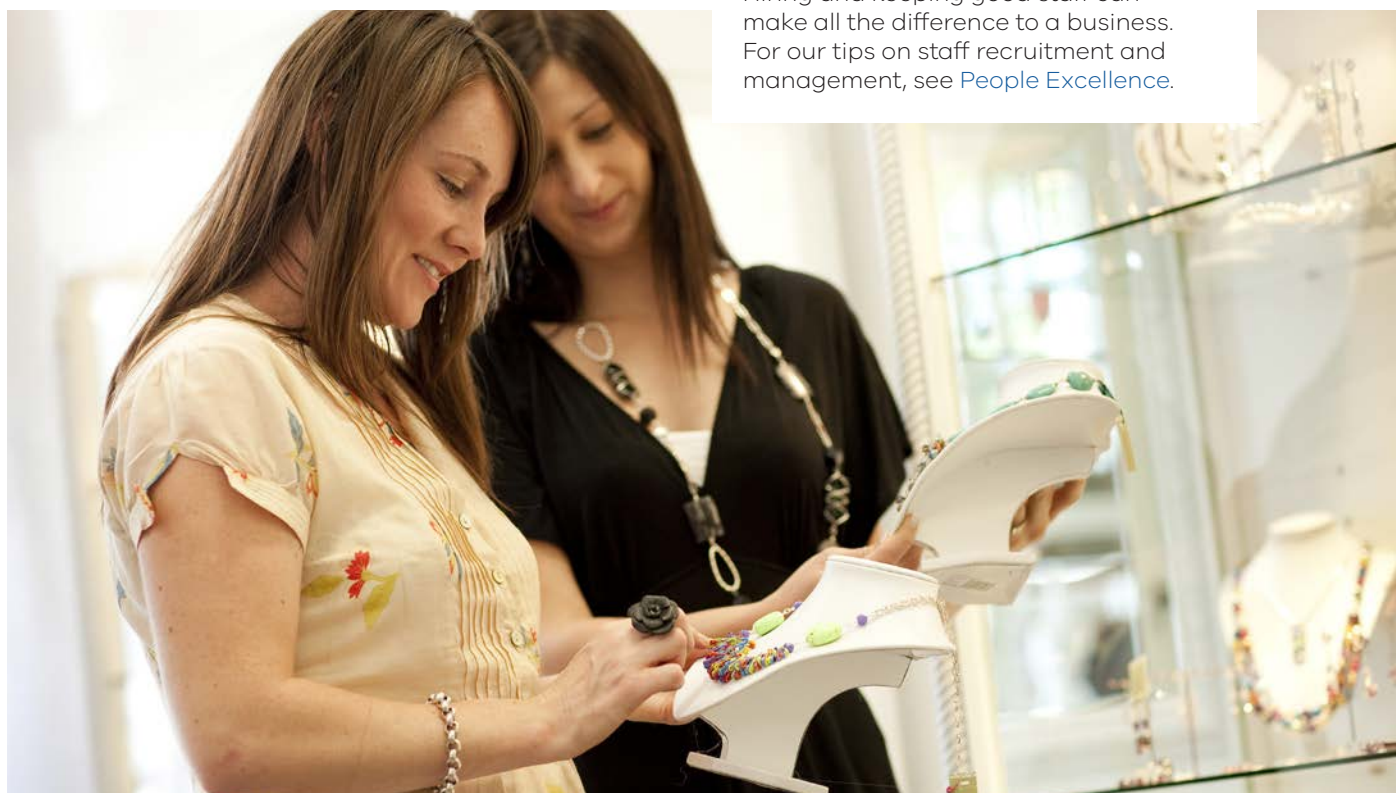
No tourism business is an island (well, some are, but even they need outside help). No matter what size your business is, chances are you will need the help of skilled staff and/or specialists to keep things running smoothly.

Before you start your business, take some time to assess your own skills and experience so you can work out which areas you'll need help with.

While the exact skills your business requires will depend on what it is, you'll probably need to be able to cover the following areas:

- financial management, including compliance requirements, and book keeping, including payroll, taxation, superannuation etc.
- personnel, including human resource management, an understanding of OH&S, workplace safety etc.
- business planning
- marketing, including planning, product development, advertising, sales, distribution, public relations/publicity, research analysis, e-marketing and social media
- customer service.

Hiring and keeping good staff can make all the difference to a business. For our tips on staff recruitment and management, see [People Excellence](#).



Licenses, permits and insurances

When you start your business, you will almost certainly need to get licences and/or permits before you can open your doors.

We recommend you contact your industry association to find out the exact requirements for your business. For a moderate fee, or for the cost of membership, they can help guide you through the legislation and permits that apply to your business.

The [Australian Licence and Information Service \(ABLIS\)](#) can help you to identify which government licences or codes of practice apply to your business.

Insurance

The type of insurance you need, the level of cover you require and your risk exposure will all depend on the nature of your business.

Business Victoria's guide [Find the right insurance](#) has a handy overview of different types of business insurance and tips on where to go for insurance advice.

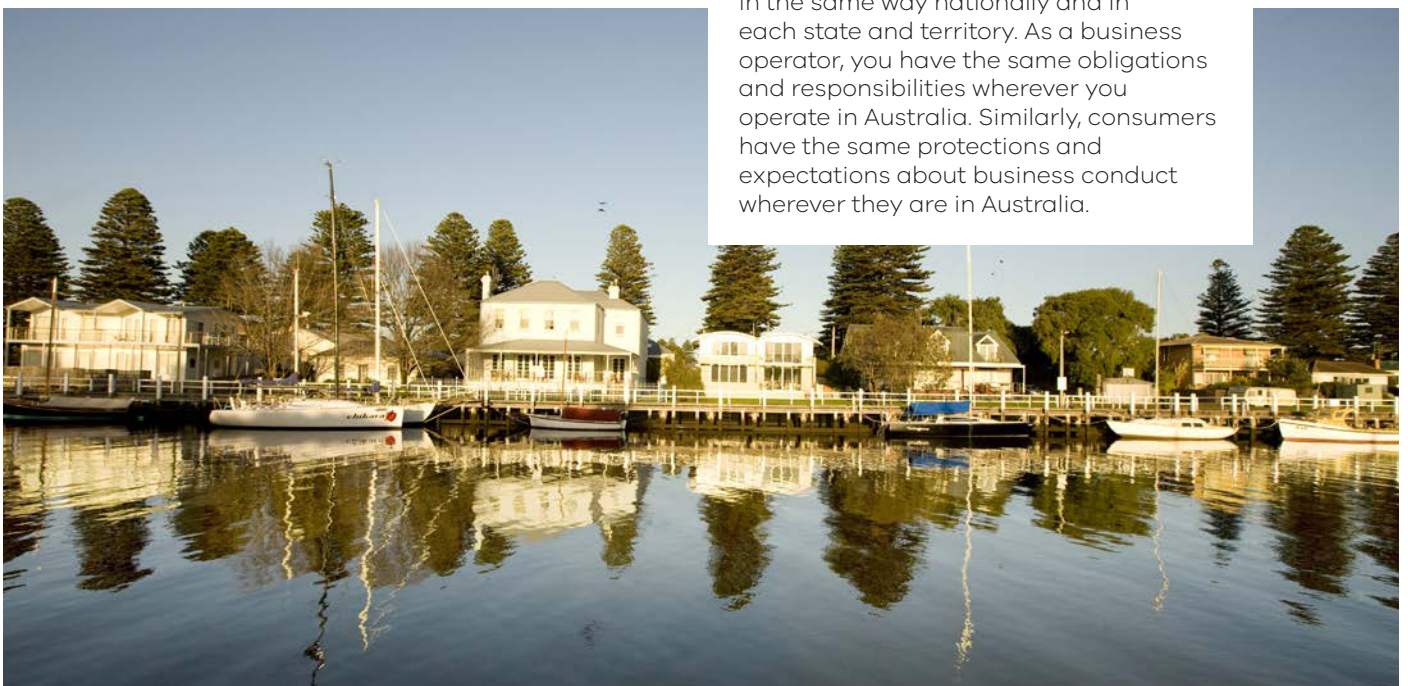
Accommodation

If you are an accommodation provider, you are legally obliged to comply with a wide range of legislation, including Corporations Law, the *Trade Practices Act 1974* (Commonwealth) and the *Australian Consumer Law and Fair Trading Act 2012* (Victoria).

For information about accommodation licences, registrations and permits, see Business Victoria's guide [Starting an accommodation business](#).

Australian Consumer Law

The Australian Consumer Law is a single, national law concerning consumer protection and fair trading. It applies in the same way nationally and in each state and territory. As a business operator, you have the same obligations and responsibilities wherever you operate in Australia. Similarly, consumers have the same protections and expectations about business conduct wherever they are in Australia.



Building your network

When you're starting your tourism business, networking can be very helpful – as well as a lot of fun. Local and regional tourism associations, industry associations and other tourism operators can all be invaluable resources.

Local and regional tourism associations

Look into joining your local tourism association (LTA) or regional tourism association (RTA).

Membership fees are usually modest and allow you to:

- attend networking functions, workshops and seminars
- receive newsletters
- use their research sources
- ask staff for advice
- participate in regional/local marketing campaigns.

Visitor information centres

Introduce yourself and keep in contact with the staff of the local visitor information centre (VIC). You may wish to run a 'familiarisation' for the staff, inviting them to experience your product so they can hopefully recommend it more enthusiastically and authentically to VIC customers.



Industry associations

Find out if there's a member-based industry association for your tourism sector. Most of these organisations provide extensive industry information and training services, an annual conference and more informal networking opportunities.

Victorian Tourism Industry Council

Consider becoming a member of [Victorian Tourism Industry Council](#) (VTIC), the peak private sector tourism industry body in Victoria. Member benefits include industry news, training and networking opportunities.

Visit Victoria

Sign up for Visit Victoria's [industry e-news](#) to find out about upcoming industry events and latest destination marketing activity.

Tourism Australia

Sign up for Tourism Australia's [Essentials](#) to find out about upcoming events and marketing activities run by the national tourism board.

Australian Tourism Export Council

You may also consider becoming a member of [Australian Tourism Export Council](#) (ATEC), the peak national industry body. Its services include B2B opportunities, industry advocacy and development, education and business capacity building, local and national networking events and conferences.

Regional tourism boards

Contact your regional tourism board (RTB) to find out about tourism marketing, industry development and operator training in your region



Managing change

As your business grows, things will change. You can't always predict what will change – it could be anything from your business goals, your staffing and your product offering, to the economic landscape and tourism trends.

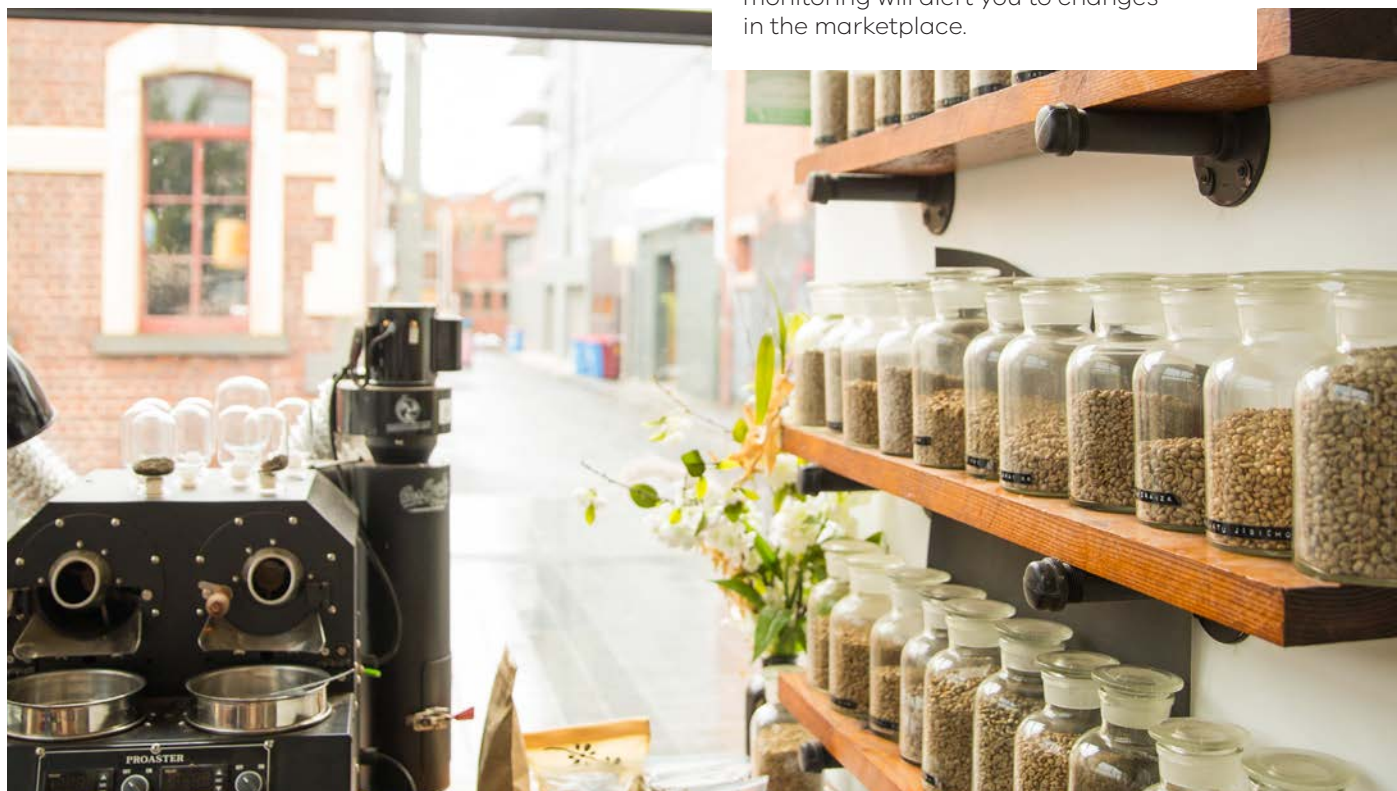
They may be welcome changes, or uninvited. Either way, keeping an eye on how your business is tracking and what's unfolding in the wider marketplace will help you manage changes that affect your business.

Economic and social trends

Being aware of changing economic and social trends is important. If you're aware of changes in the business landscape and tourism marketplace, you can adapt your product and its marketing as needed. Examples include the increase in concern over the impact of tourism on the environment (the 'green' or ecotourism movement) or the shift in customer spending patterns associated with the Global Financial Crisis in 2007.

Your business plan

We highly recommend an annual review and analysis of your business plan. Choosing key performance indicators that you can review every month or quarter can be useful too. Regular monitoring will alert you to changes in the marketplace.



A regular review will tell you exactly how the business is performing, and is a particularly helpful way of assessing how your business is adapting to change – both internal and in the wider tourism marketplace.

Depending on the type of business you run, your review may include:

Revenue per customer

Cost of sales

Yield

Total retail sales

Admissions as a percentage of total revenue

Marketing costs as a percentage of total revenue

Occupancy or utilisation

Your business finances

You probably don't need us to tell you that regular reviews of your business finances are a good idea.

A regular review will tell you exactly how the business is performing, and is a particularly helpful way of assessing how your business is adapting to change – both internal and in the wider tourism marketplace.

As well as conducting regular reviews, we recommend reviewing your finances after any substantial changes to your business, such as a major refurbishment, a significant reduction or rise in staffing costs, or a major marketing campaign.

Your business structure

If your business has undergone substantial changes, you may need to review your business structure to make sure it still meets your needs.

For an overview of different business structures, see Business Victoria's guide [Choose the right business structure](#).

Resources

Need help? The [Small Business Mentoring Service](#) (SBMS) is a low-cost service that assists businesses to review their operations. Specialist tourism mentors are available.

Entering the international market

There are many reasons for expanding into the international market, not least of which is the opportunity to welcome people from different cultures into your business. For a lot of people this is the reason they enter the tourism industry – to showcase their special part of the world to people from around the globe.

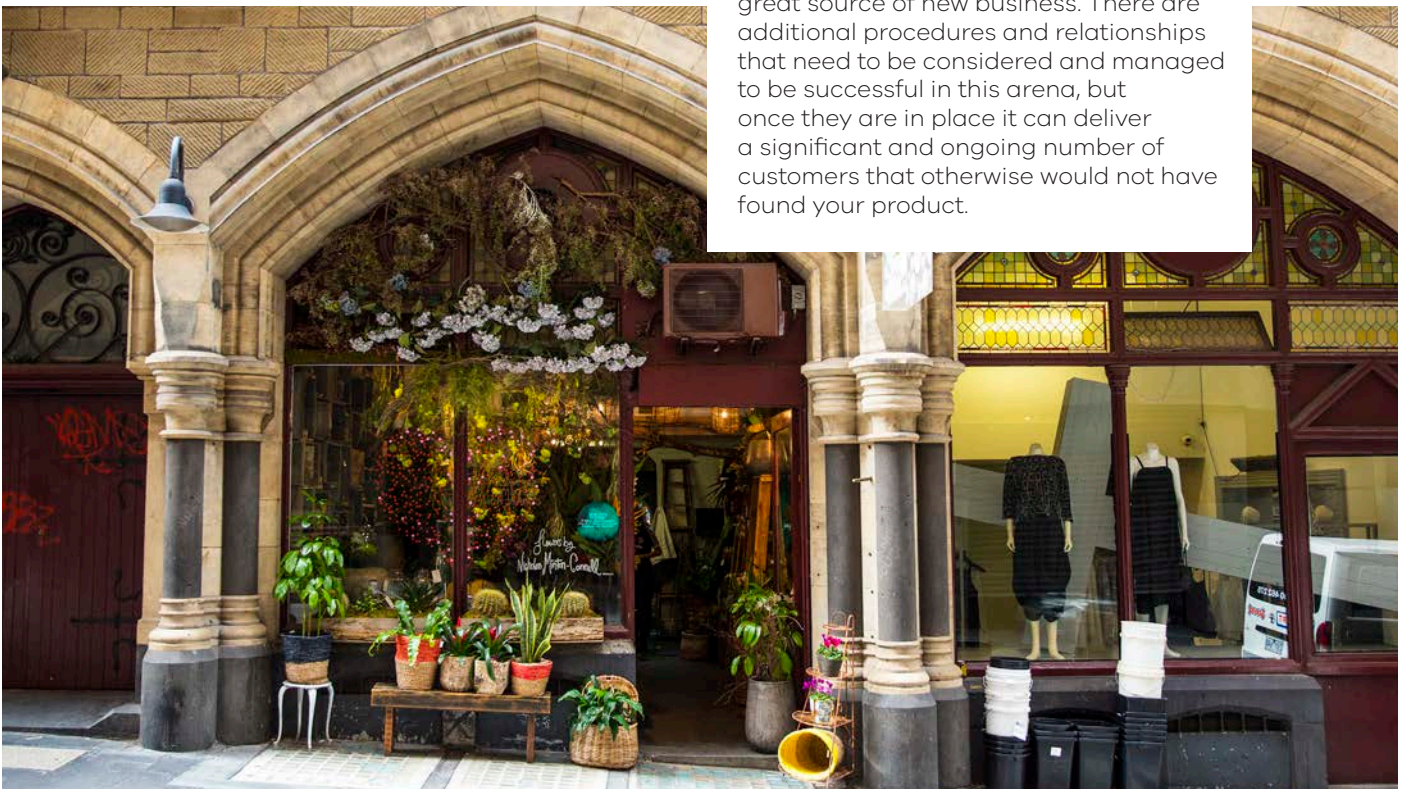
In addition, international visitors are not restricted to travelling on weekends and school holidays – they travel throughout the year, often booking well in advance, which can assist with business planning.

The international markets are predicted to deliver strong revenue growth in Victoria over the next ten years, and while there's a lot to consider if you want to pursue this market, there are also a lot of great resources to help you on your way.

The kinds of things you'll need to think about include:

- the travel distribution system and its rate structure
- which international markets will use your products
- the different travel styles of inbound travellers
- how to target international markets through different channels.

A lot of tourism operators work with the international market, and for many, it is a great source of new business. There are additional procedures and relationships that need to be considered and managed to be successful in this arena, but once they are in place it can deliver a significant and ongoing number of customers that otherwise would not have found your product.



If you need help, great resources include:

The [Tourism Export Toolkit](#), an introductory guide to inbound tourism developed by Tourism Australia and Australian Tourism Export Council (ATEC). Full of information and advice, it'll equip you with the basic tools, knowledge and contacts you'll need to enter the export tourism market.

Visit Victoria's international specialists. They'll give you information about the different international markets and advice about where your product might fit best. Call Visit Victoria's Product Team as your first stop for advice: 03 9002 2264.

ATEC's KITE program: KITE is a national training framework that focuses on export tourism business capability building, developed by industry with the support of Tourism Australia and the state and territory tourism organisations. Online webinars are available to both members and non-members for a fee.

Visit Victoria's International Mentoring Program: The International Mentoring Program (IMP) is developed, sponsored and managed by Visit Victoria. It has been designed to give selected Victorian tourism operators the tools and knowledge to develop and market their product through the traditional international distribution system along with online travel agents (OTAs) distribution systems, media, social and e-marketing channels. Participation is determined via nomination by a Regional Tourism Body and an interview with Visit Victoria regarding product suitability to the international market.



Maintaining your business

You know those things at home that need fixing, but after a while you no longer notice? Well, it's easy for established businesses to fall into this trap, especially when everyone is working flat-out.

Little, 'invisible' things like chipped tiles, worn tablecloths or flaky paint can really affect your customers' impression of your business.

Identifying areas for improvement

Getting someone with fresh eyes to visit your business can be very helpful. Ask them to tell you what needs attention – you might be surprised by what they notice.

Ask your customers for feedback too. Talk to them and make feedback forms available so they can alert you to maintenance issues or make suggestions for improvements.

Hiring a 'mystery shopper' to do a customer audit is another useful option. For details, see Customer auditing in Understanding Visitor Needs.



You are your business's greatest asset, so try to plan and budget for regular sanity breaks, even if it's just a day or two.

The type of maintenance you need will depend of course on your business, but areas to consider are:

Building maintenance

Vehicle maintenance

Cleaning

Uniforms

And most importantly: you

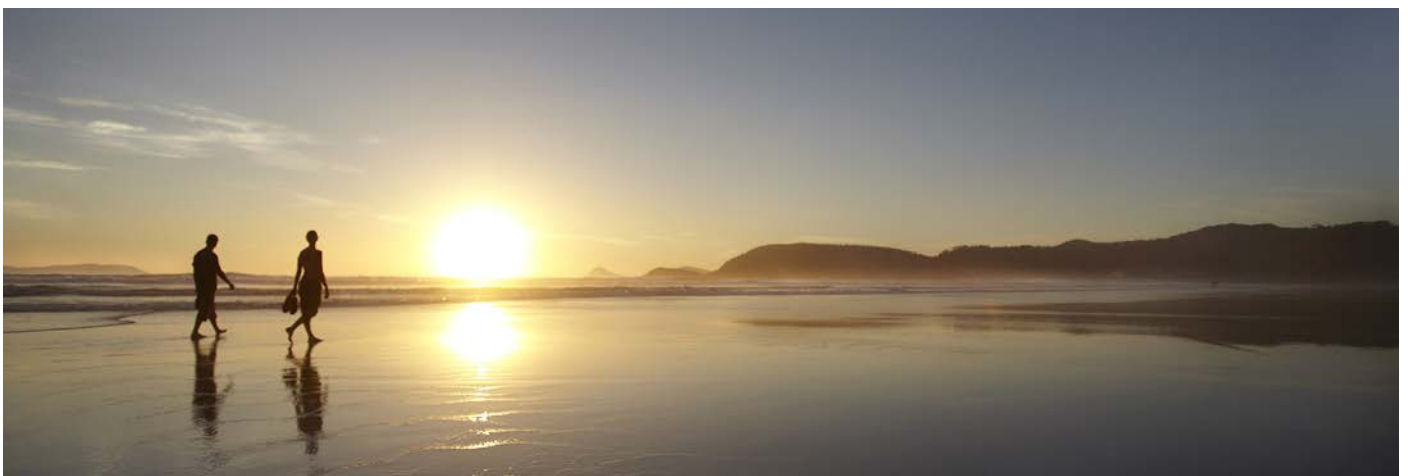
Regular maintenance

Even if things aren't in five-star condition, keeping everything well maintained will make a huge difference.

It's worth factoring regular maintenance and refurbishment into your business plan so it's part of your schedule and budget, as well as setting aside funds for major works.

You are your business's greatest asset, so try to plan and budget for regular sanity breaks, even if it's just a day or two.

If nothing else, getting away and seeing how other tourism businesses and areas operate is a very effective professional development exercise. Getting away for even a few hours to mix with other operators and to obtain new knowledge at industry functions can be very helpful, as well as good fun. See [Building Your Network](#).



Exit planning

Knowing when to exit and to profitably sell your business is as important as knowing when to start it.

While you're enjoying your work and lifestyle and generating income, selling your business might be the last thing on your mind, but it is worth planning for.

Ideally, you'll plan for sale from the outset. This planning will help you set up the record keeping and processes you'll need for sale. It's not unlike a selling a car – it's much easier to sell if you have a record of its service history.

Planning for sale also gives your business significant value by making sure it can be sold profitably, and ensuring it isn't inextricably connected to you and your skills.

To plan for sale, think about how long you want to run your business. Then, work within that timeframe to boost your business's appeal to future investors or owners.

Of course, you may well choose to change your original timeframe, which is perfectly fine – the important thing is making sure you have a plan for when the time comes.



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Ask yourself:

Is the business reliant upon you and how easy would it be to transfer knowledge?

Are there documented management and operational systems in place?

When you depart will key customers and staff be affected?

The most in-demand tourism businesses tend to be those that are not only profitable and have significant goodwill, but have also established operational systems, documented procedures and quality controls. They can then continue to run profitably regardless of who is at the helm.

How to value your business for sale

When the time comes to sell your business, there are a number of ways you can work out what it's worth so you can set the right price.

We recommend asking your business adviser or accountant for advice about this process.

For a useful summary, see the business.gov.au guide [Value your business](#).

Selling or closing a business

Whether you're selling or closing a business, there are a number of things you need to take care of, including:

- tax and legal obligations
- employees and their entitlements
- notifying relevant authorities.

Find helpful information and step-by-step guides at [business.gov.au](#).

See also the Australian Taxation Office (ATO)'s [Changing, selling or closing a business - things to consider](#).